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HIGHLIGHTS

NOWA NOWA IRON PROJECT

- Resource upgrade at 5 Mile deposit – 9.6Mt at 50% Fe at a lower cutoff of 40% total Fe
- Increase in confidence of JORC resource - addition of 2.1Mt of Measured Resource
- Feasibility study remains on track for completion in December, with technical studies underway or completed, including:
 - Metallurgical testwork
 - Flora and Fauna studies
 - Cultural Heritage survey
 - Traffic Management study
 - Surface and groundwater studies
 - Geochemical assessment of waste rock
 - Design of waste rock and tailings storage facility

Eastern Iron Limited (ASX: EFE) is pleased to report on activities undertaken during the quarter ended 30 June 2013.

NOWA NOWA IRON PROJECT

The Nowa Nowa iron deposit is located some 250 kilometres east of Melbourne close to the Princes Highway, which provides access to several nearby towns and a proposed export facility at the Port of Eden, approximately 200 kilometres further east (Figure 1 on next page).

Eastern Iron is undertaking a Definitive Feasibility Study (DFS) into the potential development of the magnetite-rich iron material at the Five Mile deposit. It is proposed that iron ore would be mined at Five Mile, processed on site, and trucked to a port facility at Two Fold Bay south of Eden in southern NSW.



Figure 1: Nowa Nowa Locality Plan

Feasibility Study

During the quarter, Eastern Iron continued to progress key elements of the Feasibility Study which is due for completion in late 2013.

Eastern Iron has appointed project delivery specialist Engenium to deliver the Feasibility Study. Engenium will project manage the entire study including inputs from specialist sub-consultants in the areas of:

- Mining – mine design, scheduling, waste rock and tailings storage (McCracken Mining Services/Mining One)
- Geotechnical investigations (Mining One Consultants Pty Ltd)
- Hydrology/hydrogeology (AECOM Ltd, Earth Systems Pty Ltd)
- Port and Transport studies (Engenium, Innovative Shipping Pty Ltd)
- Marketing (Fundmax Pty Ltd)
- Process testwork and design (Resource Engineering Pty Ltd, Engenium)
- Environmental Studies (Earth Systems Pty Ltd)
- Tailings management and storage (Earth Systems Pty Ltd, Mining One Pty Ltd)

Upgraded Resource Estimate

The Company announced the completion of a diamond core and reverse circulation (“RC”) drilling program at the Five Mile deposit in June 2013. The program comprised 6 diamond and 10 RC holes for 1,776 metres (Figure 2 shows drill hole locations), taking the total drilling at Five Mile by Eastern Iron to 5,700 metres. A table outlining significant assays can be found in the Appendix.

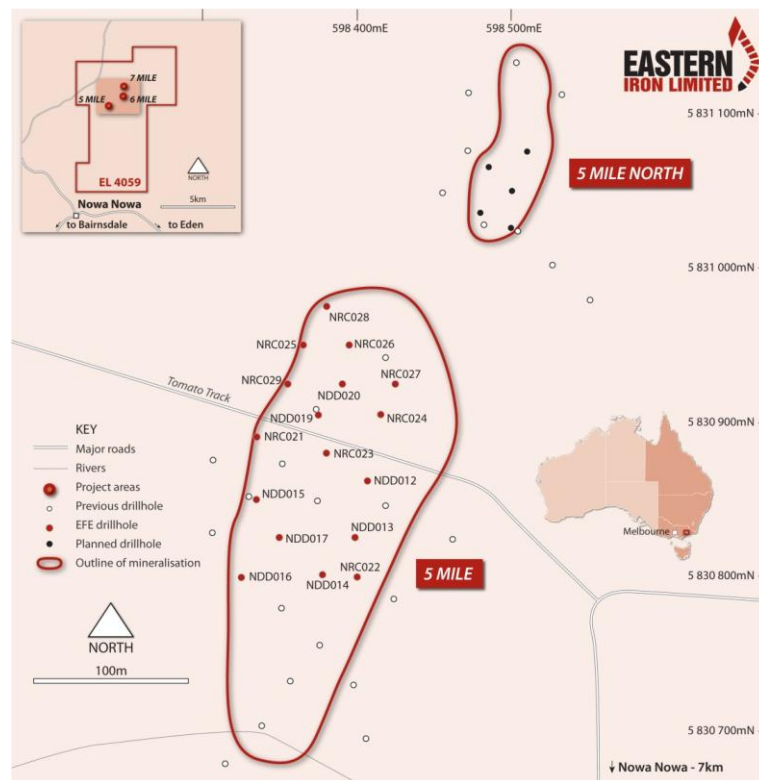


Figure 2: Five Mile Prospect – Drill hole locations

The outcome of the drilling program, as announced on 12 June 2013, included a conversion of 2.1Mt of existing Indicated and Inferred material into the Measured category. The total Resource for Five Mile is estimated at **9.6Mt at 50% Fe** at a cutoff grade of 40% total Fe.

	Measured		Indicated		Inferred		Total	
Prospect	Mt	Fe%	Mt	Fe %	Mt	Fe%	Mt	Fe%
Five Mile	2.1	52	3.7	50	3.9	50	9.6	50

Eastern Iron now has an increased confidence in the resource model, which will assist in mine planning and production scheduling studies that form part of the ongoing feasibility study.

During the recent drilling program at Five Mile it was noted that portions of the mineralised body are relatively rich in copper sulphides. The average copper grades from iron-rich mineralised intercepts is estimated at 0.16% Cu (ASX announcement on 12 June 2013).

Metallurgical Testwork

Further testwork completed during the quarter focused on validation of the preferred beneficiation method of wet LIMS processing. In this process ROM ore is crushed to -1.6mm and mixed with water before being passed over rotating drum magnets. The magnetic product is then stockpiled for export. Testwork results show consistency with those completed during the scoping study to produce an export product averaging:

Yield%	Fe(%)	Fe Rec %	SiO ₂ (%)	Al ₂ O ₃ (%)	P(%)	S(%)
72	62	82	6.8	0.6	0.01	0.40

In some samples hematite contents are relatively high resulting in significant loss of iron to the non-magnetic tailings. Further testwork is ongoing to investigate the potential to recover the hematite and possibly the copper sulphides from reprocessing of the tailings to further improve the potential cash flow from the project.

Seven Mile Prospect

The mineralisation at Seven Mile, which is relatively close to the surface, has been completely oxidised to hematite with oxidation and removal of associated sulphides. However, the mineralisation is relatively high in silica which is difficult to reduce by simple beneficiation. For these reasons Seven Mile has been rejected as a possible starter operation for the development at Five Mile but will be considered at a later date as a possible feed source for blending with material from Five Mile.

Environmental and Cultural Heritage

The project area is located in State Forest within a Forest Management Zone which is subject to ongoing native timber harvesting. There are no active agricultural activities near the project site and the nearest private property is located just over 4 kilometres away.

Flora and Fauna studies have been completed and baseline studies are ongoing. No flora species listed as threatened in the FFG Act 1988 were identified. Fauna studies completed did not identify any EPBC Act threatened species within the project area or surrounds.

The Gunai-Kunai Land and Waters Aboriginal Corporation (GLaWAC) are the registered native title holders of the area including the Five Mile project area. A registered Cultural Heritage advisor was employed to carry out an assessment of the cultural heritage values of the project area in consultation with GLaWAC representatives.

Two Aboriginal sites were identified as campsites which are represented by stone scatters but neither is close to potential project infrastructure.

During the coming quarter Eastern Iron intends to progress discussions with GLaWAC to facilitate a native title agreement for the project.

Waste Rock and Management

Geochemical testwork completed on waste rock samples has shown that the majority are non-acid forming (NAF) and that the potentially acid forming (PAF) waste rock is in the low risk category. The NAF material was also found to have reasonable levels of acid neutralising capacity with some carbonate-bearing rock which should be sufficient to encapsulate the mildly PAF material within suitably designed surface dumps. The waste rock dumps will also be located upstream of the final pit so that any runoff from the dumps will be captured in the pit.

IRON ORE MARKET

Despite expert predictions to the contrary, the iron ore price continues to show resilience mainly as a result of sustained demand from China despite the reluctance of Chinese regulators to provide any stimulus for the Chinese economy. During the quarter PB fines 62%Fe index price averaged US\$125/t CNF and varied in the range from \$110/t to a high of \$141/t. Recent softening of the AUD exchange rate has removed much of the medium term volatility in the market for Australian based producers and during the last month (July) the A\$ index price has averaged A\$135/t.

FORWARD PROGRAM

- Complete a port access agreement with Eden port operators
- Carry out mine optimisation and production scheduling
- Complete traffic management studies for truck movements between the mine and port.
- Stakeholder engagement
- Initiate product off-take discussions.

FINANCIAL POSITION

Total exploration expenditure for the quarter was \$630,000. The cash balance at the end of the quarter was \$1,673,000. The Company anticipates that measures currently in place will provide further funding for the completion of the Nowa Nowa feasibility study as scheduled.

A handwritten signature in black ink, appearing to read 'G. De Ross'.

**Mr Greg De Ross,
Managing Director
Mob: 0417 711 274**

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Greg De Ross, BSc, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Greg De Ross is Managing Director and a full-time employee of Eastern Iron Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr De Ross consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

INVESTOR INFORMATION

Eastern Iron is investigating the potential for development of a high grade magnetite resource at Nowa Nowa in Eastern Victoria as well as a magnetite processing operation based on magnetite deposits it holds under permit in Central Queensland. The Company is also in joint venture with 3E Steel to investigate the potential for developing large low cost low grade iron deposits in central western NSW.

Further information, previous Eastern Iron announcements and exploration updates are available at the News and Reports tab on the Company's website – www.easterniron.com.au

ASX: EFE

For enquiries on your shareholding or change of address please contact:

Boardroom Limited GPO Box 3993, Sydney NSW 2001 Phone: (02) 9290 9600

APPENDIX – NOWA NOWA DRILLHOLE RESULTS

Five Mile Hole ID	East (GDA)	North (GDA)	Dip °	Depth From (m)	Interval	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
NDD012	598400	5830858	-90	53.2	31.8	55.9	10.1	1.6	0.014	1.96
NDD013	598404	5830819	-90	83	35	43.3	21.9	4.6	0.046	0.9
NDD014	598380	5830801	-90	68	63	57.7	9.9	1.8	0.035	1.88
NDD015	598337	5830852	-90	46	42.35	51.0	16.3	2.3	0.016	1.56
NDD016	598331	5830808	-90	37.5	82	53.0	14.1	2.0	0.028	1.82
NDD017	598351	5830824	-90	41.95	78.55	54.8	12.8	1.1	0.010	2.15
NDD019	598380	5830907	-90	19.65	49.7	52.4	13.5	2.2	0.017	0.328
NDD020	598391	5830925	-90	20.4	43.2	52.1	14.4	2.8	0.032	0.401
NRC021	598339	5830878	-90		No Significant Intercept					
NRC022	598406	5830803	-90	80	50	54.7	11.7	1.7	0.013	2.2
NRC023	598378	5830877	-90	36	72	52.4	13.9	2.0	0.009	1.99
NRC024	598415	5830905	-90	42	20	52.5	14.2	1.7	0.016	1.42
NRC025	598365	5830949	-90		No Significant Intercept					
NRC026	598396	5830957	-90	38	32	46.6	16.1	2.0	0.240	1.93
NRC027	598429	5830933	-90	58	10	42.4	21.1	3.3	0.018	3.29
NRC028	598375	5830979	-90		No Significant Intercept					
NRC029	598360	5830916	-90		No Significant Intercept					
NRC030	598414	5830876	-90	48	16	53.2	13.2	2.9	0.033	1.01

Notes

- Fe intercepts reported applying a >40% Fe lower cut off. No top cuts were applied.
- Mineable width of >5m assumed.
- Quarter diamond core sampled for XRF analysis nominally at 2 metre composite intervals or at geological boundaries.
- RC percussion drillholes sampled nominally at 2 metre composite intervals for XRF analysis.